

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 EURE-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 NEA-10 TRSE-00 SAJ-01 EB-11

OMB-01 ACDA-19 AF-10 CU-04 STR-08 COME-00 DRC-01 /182 W
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P 141750Z JAN 74

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TO SECSTATE WASHDC PRIORITY 3345

C O N F I D E N T I A L SECTION 1 OF 3 GENEVA 192

E.O. 11652: GDS

TAGS: ECON, NATO, PFOR

SUBJECT: CSCE: INDUSTRIAL COOPERATION SUBCOMMITTEE

SUMMARY: THIS MSG TRANSMITS TEXT OF DRAFT EC-9
RESOLUTION ON INDUSTRIAL COOPERATION AS REVISED
BY US, FRG AND UK. IN ASBSNCE DEPT COMMENTS, WE PLAN TO
CONCUR IN DRAFT AT NATO CAUCUS JAN 17 FOR SUBSEQUENT TABLING IN
CSCE. QUESTION OF TABLING SEPARATE RESOLUTION ON
"PROJECTS OF COMMON INTEREST" HAS BEEN DEFERRED
PENDING FURTHER DISCUSSION BY NATO COUNTRIES. END SUMMARY.

1. EUROPEAN COMMUNITY DRAFT RESOLUTION ON INDUSTRIAL
COOPERATION WAS REVIEWED AT NATO ECONAD MTG JAN 11 IN
LIGHT OF U.S. COMMENTS CONTAINED IN TARTTER (US)-LUCAS
(FRG) LETTER OF DEC 21. THIS WAS FOLLOWED BY INFORMAL
MTG OF US-FRG AND UK DELS JAN 14 IN GENEVA DURING WHICH AGREE-
MENT WAS REACHED AD REFERENDUM ON REVISED TEXT OF RESOLUTION.
NEW LANGUAGE WILL BE CONSIDERED BY EC-9 JAN 15 AND
BY NATO CAUCUS JAN 17 WITH AIM OF TABLING IN CSCE
JAN 18 OR 22. NEED ANY COMMENTS ON TEXT BY
9:00 A.M. THURSDAY JAN 17.

2. FOLLOWING IS FULL TEXT WITH INTERSPERSED COMMENTS
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EXPLAINING CHANGES WE AGREED TO WITH FRG AND UK.

RESOLUTION ON INDUSTRIAL COOPERATION

THE PARTICIPATING STATES, CONSIDERING THAT INDUSTRIAL COOPERATION ESSENTIALLY MOTIVATED BY ECONOMIC CONSIDERATIONS, CONTRIBUTES-BY THE LASTING TIES IT CREATES-TO THE STRENGTHENING OF PEACE AND SECURITY IN EUROPE, CARRIED OUT UNDER CONDITIONS OF RECIPROCITY OF ADVANTAGES AND OBLIGATIONS, AND TAKING ACCOUNT OF THE INTERESTS OF DEVELOPING COUNTRIES AND REGIONS, PERMITS MUTUALLY ADVANTAGEOUS EXPLOITATION OF ECONOMIC COMPLEMENTARITY AND, IN THAT RESPECT, IS OF INTEREST TO ALL, PROPOSE TO ENCOURAGE THE DEVELOPMENT OF INDUSTRIAL COOPERATION BETWEEN COMPETENT AGENCIES, ENTERPRISES AND FIRMS OF THEIR COUNTRIES.

BEGIN BRACKETS. COMMENT: NEW VERSION OF PREAMBLE CONSISTS MAINLY OR REORDERING CLAUSES TO AVOID, AT INSISTENCE OF TURNKEY, ANY IMPLICATION OF RECIPROCITY IN REFERENCE TO DEVELOPING COUNTRIES. IN PREAMBLE AND IN TEXT THAT FOLLOWS VERB "AGREE" HAS IN EACH CASE BEEN REPLACED BY OTHER EXPRESSION AT REQUEST OF UK FOR LEGAL REASONS. END BRACKETS.

PROMOTION MEASURES

A. METHODS AND PROCEDURES

1. CONSIDER THAT INDUSTRIAL COOPERATION MAY BE (POURRAIT ETRA) FACILITATED BY BILATERAL AND MULTILATERAL AGREEMENTS BETWEEN INTERESTED PARTIES--IN PARTICULAR BETWEEN COUNTRIES HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS,

BEGIN BRACKETS. COMMENT: ABOVE FORMULATION IS US-FRG-UK COMPROMISE AND MAY BE OBJECTED TO BY FRENCH WHO ARE PRESSING FOR STRONGER FORM OF "CAN BE FACILITATED." WHOLE CLAUSE HAD ALREADY BEEN SOFTENED IN RESPONSE TO EARLIER U.S. COMMENTS. EARLIER U.S. COMMENTS HAD ALSO DOWNPLAYED MULTILATERAL AGREEMENTS BUT EC EXPLAINED THEY HAD BEEN CONFIDENTIAL

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PRESSING THIS CONCEPT EVEN AT HELSINKI WITH OBJECT OF SUPPLANTING PRESENT BILATERAL AGREEMENTS WITH ONE MULTILATERAL AGREEMENT AT LEVEL OF CSCE OR ECE AND LEAVING DOOR OPEN TO EVENTUAL SINGLE EC AGREEMENT WITH INDIVIDUAL EASTERN COUNTRIES. END BRACKETS.

2. RECOGNIZE THAT INDUSTRIAL COOPERATION ENCOMPASSES A NUMBER OF FORMS OF COOPERATION OTHER THAN CONVENTIONAL

COMMERCIAL EXCHANGES; THAT ON THE OCCASION OF NEGOTIATING AN INDUSTRIAL COOPERATION CONTRACT, IT IS THE RIGHT OF THE PARTNERS TO DETERMINE TOGETHER THE FORM OF COOPERATION WHICH SUITS THEM, TAKING INTO ACCOUNT THE STRUCTURE AND NEEDS OF THE ECONOMIC SYSTEMS OF THEIR RESPECTIVE COUNTRIES.

BEGIN BRACKETS. COMMENT: THIS NEW VERSION GENERALLY MEETS PROBLEM THAT GAVE RISE TO PREVIOUS U.S.-PROPOSED REDRAFT. WE AGREED TO DELETE INTERNATIONAL OBLIGATIONS CLAUSE IN PREVIOUS U.S. VERSION FOR FOLLOWING REASONS: (A) IT WOULD GIVE RISE TO RENEWAL OF FRUITLESS EXCHANGES WITH EAST OVER TARIFF PREFERENCES AND (B) IT COULD MORE USEFULLY BE HELD IN RESERVE AND RE-INTRODUCED AS NEEDED TO PROTECT AGAINST ANY IMPLIED COMMITMENT TO TARIFF CONCESSIONS INCONSISTENT WITH GATT IN LANGUAGE PROPOSED BY EAST. END BRACKETS.

3. RECOMMEND THE POSSIBLE IMPLEMENTATION OF NEW FORMS IN ORDER TO RESPOND TO CONCRETE NEEDS.

4. RECOGNIZE THAT INDUSTRIAL COOPERATION IS CARRIED OUT BY INTERESTED AGENCIES, ENTERPRISES AND FIRMS ON THE BASIS OF ECONOMIC CRITERIA.

BEGIN BRACKETS. COMMENT: THIS FULLY RESPONDS TO U.S. COMMENTS ON PREVIOUS DRAFT. U.S. PROPOSAL FOR A NEW PARAGRAPH 5 TO ASSURE THAT PROJECTS WOULD BE OPEN TO QUALIFIED FIRMS IN ALL PARTICIPATING COUNTRIES DID NOT GET POSITIVE REACTION FROM OTHER NATO COUNTRIES. END BRACKETS.

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C O N F I D E N T I A L SECTION 2 OF 3 GENEVA 192

B. EXCHANGE OF INFORMATION

THE PARTICIPATING STATES

1. RECOGNIZE THE IMPORTANCE OF INFORMATION ADEQUATE
TO ENSURE THE GROWTH AND DEVELOPMENT OF INDUSTRIAL
COOPERATION.

2. RECOGNIZE THE NEED TO MAKE SUCH INFORMATION
AVAILABLE TO ALL COMPETENT AGENCIES, ENTERPRISES AND
FIRMS,

BEGIN BRACKETS. COMMENT: U.S. PROPOSAL TO COMBINE 1 AND 2 WAS NOT
ACCEPTED, IN PART BECAUSE WEST MIGHT AGREE TO THIS
LATER IF, AS EXPECTED, IT COMES UNDER PRESSURE TO
SHORTEN TEXT. END BRACKETS.

3. WILL TAKE NECESSARY MEASURES TO IMPROVE THE QUALITY
AND ACCESSIBILITY OF INFORMATION IN ORDER TO PERMIT
ENTERPRISES TO ESTIMATE THE PROFITABILITY OF PROPOSED
COOPERATION PROJECTS, PARTICULARLY IN REGARD TO
LEGISLATION AND REGULATIONS IN FORCE, GENERAL ECONOMIC
CONDITIONS OF THE MARKET, FOREIGN TRADE, FOREIGN
EXCHANGE REGULATIONS AND PROGRAM PRIORITIES,
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4. RECOMMEND THAT COOPERATION PROPOSALS BE CONCRETE
ENOUGH TO FACILITATE THE SEARCH FOR A SUITABLE PARTNER,
SPECIFYING IN PARTICULAR:
THE NATURE, DESCRIPTION, COST AND LOCATION OF THE
PROJECT,
THE TYPE OF COOPERATION ENVISAGED,
THE NATURE OF THE ACTIVITY OF THE POTENTIAL PARTNERS
AND, AS APPROPRIATE, THEIR PRODUCTION CAPACITIES,
THE AVAILABILITY OF FACTORS OF PRODUCTION,
MARKET POTENTIAL,

BEGIN BRACKETS. COMMENT: U.S. PROPOSALS FOR PARA B.4 WERE ACCEPTED.
END BRACKETS.

5. RECOMMEND THAT THE INTERESTED AGENCIES, ENTERPRISES
AND FIRMS IN THE PARTICIPATING STATE WHERE THE MAIN
CENTER OF A COOPERATION PROJECT IS LOCATED CONDUCT THE

ECONOMIC AND TECHNICAL STUDIES CONSIDERED INDISPENSABLE
FOR ITS PREPARATION,

6. RECOMMEND THAT CONSIDERATION ALSO BE GIVEN-FOR
EXAMPLE, WITHIN THE FRAMEWORK OF THE UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE - TO MEANS OF IMPROVING
THE SYSTEM WHEREBY INTERESTED PARTIES ARE PROVIDED
WITH INFORMATION CONCERNING THE GENERAL CONDITIONS OF
COOPERATION AND ADVICE ON DRAWING UP OF COOPERATION
CONTRACTS.

C. IMPLEMENTING CONDITIONS

THE PARTICIPATING STATES

1. CONSIDER IT NECESSARY TO IMPROVE CONDITIONS FOR
IMPLEMENTING INDUSTRIAL COOPERATION PROJECTS,
ESPECIALLY AS FOLLOWS:

A) IMPROVEMENT OF CONDITIONS FOR
PROTECTING THE INTERESTS OF THE PARTNERS IN COOPERATION
PROJECTS, FOR EXAMPLE IN CONNECTION WITH LEGAL PROTEC-
TION OF THEIR ASSETS, INCLUDING PROPRIETARY TECHNOLOGY,
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TRADEMARKS AND TRADE NAMES,

BEGIN BRACKETS. COMMENT: FINAL CLAUSE PROPOSED BY U.S. ACCEPTED ON
UNDERSTANDING U.S. DEL WOULD TAKE LEAD IN DEFENDING IT.
TRUST THEREFORE THAT PRACTICAL
ARGUMENTS CAN BE ADVANCED FOR ITS INCLUSION. END BRACKETS.
RECIPROCAL INFORMATION AND ASSISTANCE BETWEEN PARTNERS,
FOR EXAMPLE IN THE AREAS OF MANAGEMENT AND QUALITY
CONTROL,

BEGIN BRACKETS. COMMENT: FRG REGARDS THIS CLAUSE AS IMPORTANT
BECAUSE OF PREVIOUS DIFFICULTIES IN AREAS OF PRACTICAL
CONSULTATIONS OVER MANAGEMENT DECISIONS AND FAILURES
TO MEET QUALITY SPECIFICATIONS ON PRODUCTS BEARING
WESTERN BRANDS. END BRACKETS.

B) SPECIFIC BILATERAL AGREEMENTS IN APPROPRIATE CASES,
PARTICULARLY WITH A VIEW TO AVOIDING DOUBLE TAXATION
AND TO PERMITTING, IN AN ADEQUATE AND EQUITABLE MANNER,
REINVESTMENT AND THE REPATRIATION OF PROFIT AND CAPITAL;

BEGIN BRACKETS. COMMENT: U.S. PROPOSAL TO ADD CAPITAL
REPATRIATION WAS ACCEPTED.
END BRACKETS.

C) TAKING INTO CONSIDERATION, INSOFAR AS COMPATIBLE
WITH THE ECONOMIC SYSTEM IN FORCE IN EACH OF THE PARTICI-
PATING STATES, THE NEEDS OF INDUSTRIAL COOPERATION
WITHIN THE FRAMEWORK OF ECONOMIC POLICY OR PLANNING;

D) IMPROVEMENT OF CONDITIONS FAVORING INCREASED
PARTICIPATION BY SMALL AND MEDIUM SIZED ENTERPRISES
IN INDUSTRIAL COOPERATION PROJECTS;

E) ENCOURAGEMENT OF ARRANGEMENTS FOR THIRD-COUNTRY
ARBITRATION OF DISPUTES, UNDER INTERNATIONALLY ACCEPTED
RULES OF PROCEDURE; BEGIN BRACKETS. COMMENT: ADDED AS PROPOSED
BY U.S. END BRACKETS.

2. RECOGNIZE THAT IT IS IMPORTANT THAT COOPERATIVELY
MANUFACTURED PRODUCTS BE MARKETING UNDER NORMAL
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CONDITIONS OF CONTINUITY, PRICE AND PAYMENTS. BEGIN BRACKETS.
COMMENT: THIS CLAUSE HAS ALSO BEEN CHANGED FROM AGREE TO
RECOGNIZE. ONLY EXPLANATION FOR ITS INCLUSION THAT
WE COULD ELICIT IS THAT EC-9 WOULD LIKE EAST TO BE
"MORE LIKE US." END BRACKETS.

D. OTHER MEASURES

THE PARTICIPATING STATES

1. CONSIDER THAT IT IS OF PRIMARY IMPORTANCE TO
FACILITATE AND ENLARGE THE POSSIBILITIES OF DIRECT
CONTACTS BETWEEN COMPETENT AGENCIES, ENTERPRISES AND
FIRMS,

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C O N F I D E N T I A L SECTION 3 OF 3 GENEVA 192

2. WILL TAKE, ACCORDINGLY, APPROPRIATE MEASURES,
ESPECIALLY IN THE FOLLOWING AREAS:

--DIRECT REPRESENTATION OF INTERESTED FIRMS, ASSOCIA-
TIONS OR GROUPS, INCLUDING SMALL AND MEDIUM SIZED
ENTERPRISES

--CONTACTS AT ALL LEVELS BETWEEN THE PERSONNEL OF
INTERESTED ENTERPRISES BEGIN BRACKETS. COMMENT: ALTERNATIVE
U.S. LANGUAGE WILL BE RESERVED AS POSSIBLE COMPROMISE. END
BRACKETS.

--FAIRS AND EXPOSITIONS,

--SATISFACTORY AFTER-SALES SERVICE,

--ACCESS TO PROJECT SITES, BEGIN BRACKETS. COMMENT: ADDED
PER U.S. PROPOSAL. END BRACKETS.

3. CONSIDER THAT SPECIAL ATTENTION SHOULD BE GIVEN TO
MEASURES WHICH COULD BE TAKEN TO ACCELERATE
COOPERATION CONTRACT NEGOTIATIONS.

4. CONSIDER THAT PERSONNEL EXPLORING OR ENGAGED IN
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INDUSTRIAL COOPERATION ACTIVITIES SHOULD ENJOY
ADEQUATE WORKING AND LIVING FACILITIES AND SHOULD
HAVE RECOURSE TO NECESSARY LEGAL, TECHNICAL AND FINANCIAL
ADVISE.

BEGIN BRACKETS. COMMENT: WHILE ACCEPTED BY UK AND FRG, THEY CANNOT
PREDICT REACTION OF OTHER EC-9 COUNTRIES TO U.S.-
PROPOSED PARA 4. END BRACKETS.

END TEXT OF RESOLUTION

3. U.S. DEL HAS HELD EXTENSIVE DISCUSSIONS AT BRUSSELS

AND INFORMALLY AT GENEVA ON QUESTION OF SEPARATE
RESOLUTION ON PROJECTS OF COMMON INTEREST. HAS BEEN
TENTATIVELY AGREED THAT INDUSTRIAL COOPERATION RESOLUTION
SHOULD BE TABLED WITHOUT REFERENCE TO PROJECTS OF
COMMON INTEREST AND FINAL DECISION ON FORM AND CONTENT
OF WESTERN LANGUAGE ON THIS SUBJECT NEED NOT BE TAKEN
IMMEDIATELY. WE WILL REPORT SITUATION FURTHER AFTER
JAN 17 NATO CAUCUS.BASSIN

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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